

Message Text

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PAGE 01 BRIDGE 01482 281722Z

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ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00

DODE-00 DOTE-00 INR-11 NSAE-00 RSC-01 FAA-00 DRC-01

AID-20 FRB-03 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03

LAB-06 SIL-01 OMB-01 SS-20 NSC-07 L-03 /161 W

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R 271550Z AUG 74

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 7682

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

LIMITED OFFICIAL USE BRIDGETOWN 1482

E.O. 11652: N/A

TAGS: EAIR ETRN BB

SUBJ: CIVAIR: NO LIAT SOLUTION IN SIGHT

REF: BRIDGETOWN 1453

1. DEFINITE ACTION ON LIAT'S FUTURE SEEMS TO BE SUSPENDED
PENDING REPORT FROM UK AUDIT TEAM NOW SCRUTINIZING ISLAND AIR-
LINE IN ANTIGUA. WHILE NO TIMETABLE HAS BEEN GIVEN FOR ISSUANCE
OF REPORT, SPECULATION IS THAT SUCH DOCUMENT WILL BE ISSUED PRIOR
TO END OF SEPTEMBER (WHEN UK SUPPORT FOR LIAT RUNS OUT) WITH
POSSIBLE PRELIMINARY REPORT BEFORE THAT TIME.

2. BRITISH SOURCES HERE NOTE THAT THEY HAVE RECEIVED NO WORD
ON LIAT FROM HMG SINCE COMMENCEMENT OF LIMITED AID SUPPORT (REF-
TEL). OBSERVERS HERE NOTE THAT SINCE LIAT IS NOW FACING CUSTO-
MARY SLOW SEASON (MID-SEPTEMBER TO MID-NOVEMBER) WHEN IT WOULD BE
EXPECTED TO LOSE MONEY IN NORMAL OPERATIONS, SOME EXTERNAL SOURCE
OF FUNDING TO MEET THESE ANTICIPATED LOSSES MUST BE FOUND.

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PAGE 02 BRIDGE 01482 281722Z

CANADIANS CLAIM TO HAVE HEARD THAT HMG PREPARED TO FUND AIRLINE

UNTIL END OF YEAR BUT BRITISH SAY THAT HMG HAS MADE NO SUCH DECISION.

3. COURT LINE SOURCE REITERATES PREVIOUS OBSERVATION THAT AUDITORS ARE LIKELY TO FIND SUBSTANTIAL MISMANAGEMENT OVER PAST SEVERAL YEARS, INCLUDING UNWISE PURCHASE OF HOMES AND REAL PROPERTY, LAVISH AND UNNECESSARY USE OF VEHICLES, OVERSTAFFING, ETC. HE COMMENTS THAT SUCH A FINDING COULD BE EITHER BENEFICIAL OR HARMFUL TO LIAT'S FUTURE. BENEFICIAL IF AUDITORS DRAW CONCLUSION THAT WITH PROPER MANAGEMENT PRACTICES AIRLINE COULD BE IN DECENT SHAPE AND HARMFUL IF THEY CONCLUDE THAT LIAT IS QUITE BEYOND HELP.

4. FUTURE OF COURT LINE HOTELS IS ALSO CAUSING CONSIDERABLE CONCERN IN ST. LUCIA AND ANTIGUA. COURT LINE REP POINTS OUT THAT THREE POSH COURT HOTELS (HALCYON BEANCH, HALCYON BAY IN ST. LUCIA; HALCYON COVE IN ANTIGUA) WERE CONSTRUCTED AT COSTS FAR EXCEEDING NORMAL RETURN EXPECTATIONS AND THAT WITH APPROACH OF SLOW SEASON AND IN FACE OF LIAT TROUBLES, IT WILL BE DIFFICULT TO FIND BUYER WILLING TO PAY ANYWHERE NEAR ORIGINAL COSTS. DISCUSSIONS ARE REPORTEDLY UNDERWAY WITH SEVERAL CANADIAN GROUPS, INCLUDING WARDAIR AND POSSIBLY AIR CANADA, HOWEVER THERE IS LIKELY TO BE WIDE DIVERGENCE BETWEEN PRICES QUOTED BY BUYERS AND AMOUNTS DESIRED BY COURT RECEIVERS. OUTLOOK IS FOR HOTELS TO CLOSE FOR AT LEAST DURATION OF SLOW SEASON, WITH POSSIBLE RETENTION OF SKELETON STAFFS. CLOSURE WOULD RENDER SOME 650 PEOPLE JOBLESS IN ST. LUCIA AND PROBABLY WELL OVER 200 IN ANTIGUA.

5. IN RECENT CONVERSATION WITH EMBOFF ST. VINCENT PREMIER JAMES MITCHELL REITERATED HIS CALL FOR REGIONAL AIR LICENSING AUTHORITY TO STANDARDIZE FARES, LANDING CHARGES, ETC. AND HOPEFULLY RATIONALIZE AIR TRANSPORT IN REGION. MITCHELL ALSO REPORTED AS CALLING FOR CREATION OF NEW INTER-ISLAND AIRLINE TO REPLACE LIAT.

6. COMMENT: CALL FOR NEW AIRLINE WOULD AVOID STICKY PROBLEM OF LIAT DEBTS BUT, IN VIEW OF LARGE CAPITAL OUTLAYS REQUIRED FOR EQUIPMENT, WOULD NOT APPEAR FEASIBLE WITHOUT PARTICIPATION OF EXISTING CARRIER(S). EXISTING CARRIERS SEEM TO BE RELUCTANT TO BECOME INVOLVED UNTIL MORE IS KNOWN ABOUT LIAT AND UNTIL LIMITED OFFICIAL USE

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PAGE 03 BRIDGE 01482 281722Z

CARIBBEAN TERRITORIES INVOLVED FACE UP TO REALITY THAT THEY CANNOT CONTINUE TO ENJOY UNSUBSIDIZED AIR SERVICES WHICH DO NOT PERMIT REASONABLE RETURN FOR CARRIER.

7. WHILE ADDITIONAL FINANCIAL SUPPORT FROM HMG IS NOT OUT OF QUESTION, IS ALSO LIKELY TO BE TAKEN OUT OF ASSOCIATED STATES' U.K. AID FUNDS.
SIMMS

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